

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Village of Parma LDFA	County Jackson
Fiscal Year End 02/28/07	Opinion Date 8/27/07	Date Audit Report Submitted to State 8/28/07	

We affirm that:

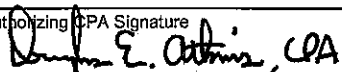
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351		
Street Address 2880 SPRING ARBOR RD.		City JACKSON	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name DOUGLAS E. ATKINS, CPA		License Number 1101016353

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

(A COMPONENT UNIT OF THE VILLAGE OF PARMA, MICHIGAN)

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2007

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

**ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Local Development Finance Authority
Of The Village of Parma

We have audited the accompanying financial statements of the governmental activities and the major fund of **The Local Development Finance Authority of the Village of Parma** (the "LDFA"), a component unit of the Village of Parma, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the LDFA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LDFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Local Development Finance Authority of the Village of Parma as of February 28, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The LDFA has elected not to present Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information presented on page 13 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the LDFA's basic financial statements. The accompanying additional information - Recap of 2006 Tax Levy by Taxing Entity, and \$1,800,000 Tax Increment Revenue Agreement Payable - are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


MARKOWSKI & COMPANY CPAs
August 27, 2007

BASIC FINANCIAL STATEMENTS

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 28, 2007

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
Assets:			
Cash and Investments	\$ 705,244	\$ -	\$ 705,244
Prepaid Expenses	-	-	-
Land	-	285,501	285,501
Total assets	<u>\$ 705,244</u>	<u>285,501</u>	<u>990,745</u>
 Liabilities:			
Accounts payable	\$ 276,475	-	276,475
Tax Increment Revenue Agreement payable	-	-	-
Total liabilities	<u>276,475</u>	<u>-</u>	<u>276,475</u>
 Fund Balances/Net Assets:			
Fund balances:			
Unreserved, undesignated	428,769	(428,769)	-
Total equity and other credits	<u>428,769</u>	<u>(428,769)</u>	<u>-</u>
 Total liabilities and Fund Balances	<u>\$ 705,244</u>		
 Net Assets:			
Invested in capital assets, net of related debt		285,501	285,501
Unreserved		428,769	428,769
		<u>\$ -</u>	<u>\$ 714,270</u>

Amounts reported in the statement of net assets are different because:

Fund balances, governmental fund balance sheet	\$ 428,769
Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	<u>285,501</u>
Net assets of governmental activities	<u>\$ 714,270</u>

The notes to the financial statements are an integral part of this statement.

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPES
THE YEAR ENDED FEBRUARY 28, 2007

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
EXPENDITURES/EXPENSES:			
Economic Development	\$ 611,765	\$ -	\$ 611,765
Less: Operating Grant - Federal	(124,345)	-	(124,345)
Net economic development expenses	487,420	-	487,420
Other	117,492	(2,792)	114,700
Total expenditures/expenses	604,912	(2,792)	602,120
GENERAL REVENUES:			
Property taxes	605,377	-	605,377
Less: Return of excess capture	(275,620)	-	(275,620)
Net property taxes captured	329,757	-	329,757
Interest income	22,634	-	22,634
Other	8,476	-	8,476
Total general revenues	360,867	-	360,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(244,045)	2,792	(241,253)
OTHER FINANCING SOURCES/GAIN ON SALE	70,000	(69,411)	589
EXCESS OF REVENUES AND OTHER FINANCING SOURCES/EXPENDITURES	(174,045)	(66,619)	(240,664)
FUND BALANCE/NET ASSETS - Beginning	602,814	352,120	954,934
FUND BALANCE/NET ASSETS - Ending	\$ 428,769	\$ 285,501	\$ 714,270

Reconciliation of Fund financial statements to Statement of Activities:

Excess of revenues/expenditures	\$ (174,045)
Land cost of \$66,619 is offset against the proceeds from sale.	(66,619)
Selling expenses reclassified from Other for Statement of Activities (\$2,792)	-
	<u>\$ (240,664)</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

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**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. REPORTING ENTITY:

The Local Development Finance Authority of the Village of Parma was created by the Village of Parma in a resolution dated December 12, 1988. Public Act 281 of 1986 provides the authority for the Village to establish an LDFA. The LDFA will expire in 2021.

The LDFA of the Village of Parma is governed by an eleven member board, which consists of four representatives appointed by the Village of Parma, three appointed by Sandstone Charter Township, two appointed by Western School District, and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition, development, and improvement, (including the extension of roads and utilities) for the Parma Village - Sandstone Industrial Park. Currently, the only company located within the park is the Michigan Automotive Compressor, Inc. (MACI) plant.

The criteria established by the Governmental Accounting Standards Board (GASB), for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the LDFA of the Village of Parma is considered a component unit of the Village of Parma and is included in the Village's financial statements.

Effective March 1, 2004 the LDFA implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the LDFA's financial reporting as a result of this statement include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the LDFA's overall financial position and results of operations is not included with the financial statements.

Government-wide financial statements prepared using the full accrual accounting for all of the LDFA's activities.

A change in the fund financial statements to focus on the major funds.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

2. Basic Financial Statements – Government-Wide and Governmental Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the LDFA. The LDFA operations consist solely of governmental-type activities; it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

The fund financial statements are provided for governmental funds, and have been reported in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The LDFA uses a fund to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the LDFA considers revenues to be available if they are collected within 60 days of the fiscal year end.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Expenditures are generally recorded when a liability is incurred, the same as accrual accounting.

The LDFA reports its operating fund as a major fund.

4. Budgetary Procedures

The Board of Directors adopted a budget during a regularly scheduled open meeting. The budget was prepared using the modified accrual method of accounting, which is consistent with the measurement focus of the fund financial statements.

The budget was not amended during the fiscal year ended February 28, 2007.

5. Cash and Investments:

The LDFA's cash and cash equivalents consist of demand deposit accounts, short-term investments with original maturities of less than 90 days, and accounts with liquidity similar to cash.

Investments are reported at their original cost.

6. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

1. BUDGET VIOLATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the LDFA's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. For the year ended February 28, 2007, the LDFA incurred expenditures which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Bank fees	\$ -	\$ 70	\$ (70)
Roadway/utilities extension	475,000	576,316	(101,316)

Spending amounts in excess of budget (appropriations) is a violation of state law.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH AND INVESTMENTS:

State statutes and LDFA policy authorize the LDFA to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The LDFA's deposits are in accordance with statutory authority and LDFA policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The LDFA minimizes this risk by limiting its investments to shorter term securities with liquidity similar to a money market account.

Concentration of Credit Risk

The LDFA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the LDFA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the LDFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH AND INVESTMENTS: (Continued)

Custodial Credit Risk (Continued)

Cash, cash equivalents, and investments of the LDFA can be defined as follows: Cash and investments consist of deposits (checking and savings accounts) and its investments in a money market account. The deposits are held at a local bank, in the name of the LDFA. The money market account is invested in the Fidelity Government Portfolio Class II money market fund. 94% of this fund is invested in repurchase agreements for U.S. government securities.

As of February 28, 2007, \$153,743 of the LDFA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the LDFA or its agent in the LDFA's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the LDFA's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

The LDFA's investments are classified as follows:

	Category 3	Carrying Amount	Market Value
FIMM Govt Portfolio Class II	\$ 451,501	\$ 451,501	\$ 451,501

The LDFA did not violate any of its investment policies or related state laws during the year ended February 28, 2007.

Cash and investments reported in the basic financial statements at February 28, 2007 can be summarized as follows:

Cash and Investments:	
Checking/savings accounts	\$ 253,743
Money Market account	451,501
	<u>\$ 705,244</u>

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE D - PROPERTY TAXES:

The LDFA derives its revenues from property taxes “captured” from the levies of local entities. The local entities receive all revenues from their debt millage, but receive operating millage only on the original taxable value of property within the LDFA district. The LDFA cannot capture education taxes (state education tax, local school operating taxes, and intermediate school district operating taxes). The LDFA collects (or captures) any taxes on the increase in value of property within the district.

The local tax collecting agency, Sandstone Charter Township, is required by the Michigan Tax Commission to hold certain excess tax levies captured on behalf of an LDFA in an escrow account. These taxes are not reported as revenue by the LDFA as it never receives them. The Township refunds these excess amounts directly to the taxing entities.

Amendments to property tax laws now limit the amount of taxes captured by the LDFA to the amounts necessary to service its debt and certain other eligible obligations. Any amounts in excess of this limit are to be refunded proportionately to the units levying the millage.

Sandstone Charter Township assesses the involved properties, and levies the millages for all local units involved. Tax payments are also collected by the Township, except for the Village of Parma, which collects its own millage and remits it to the LDFA. The taxes become a lien on the property as of December 31, and are levied on July 1 and December 1 of the following year. Payments are due by September 14 (for the July levy) and February 28 (for the December levy).

Under Michigan law (Public Act 198 of 1974), property owners may apply for special tax rates for up to 12 years for certain new properties. If approved, the property owner will pay an Industrial Facilities Tax (IFT) rate equal to 50% of the current rate. For IFT's granted after 1993, the taxes are levied at 50% of the current millage rate, except for taxes levied under the State Education Tax Act. Those taxes are levied at 100% of the current rate, unless a reduced amount is approved by the State.

The property within the LDFA includes ten parcels. Eight parcels are personal property with IFT certificates issued after 1993 – five (with a total taxable value of \$36,167,270) levy the full six mills of state education taxes, two (with a total taxable value of \$2,767,906) levy 50% of the state education tax, and one (with a taxable value of \$8,916,561) levies no state education tax. There are two parcels for which the IFT certificates have expired, and are taxed at the full current millage rates of the taxing entities. One is personal property with a taxable value of \$13,358,278; and one is real property with a taxable value of \$10,380,285.

**LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY TAXES: (Continued)

For the fiscal year ended February 28, 2007 property taxes were levied and collected as follows:

	AD VALOREM	POST - 1993 IFT	TOTAL
Taxable value	\$ 23,738,563	\$ 47,851,737	\$ 71,590,300
Original value	(142,165)	-	(142,165)
Captured value	<u>\$ 23,596,398</u>	<u>\$ 47,851,737</u>	<u>\$ 71,448,135</u>
Total taxes levied	\$ 1,280,197	\$ 1,372,083	\$ 2,652,280
Taxes on original value	(7,667)	-	(7,667)
Debt, education and other levies not subject to capture	(971,958)	(1,067,278)	(2,039,236)
Gross levies captured	<u>\$ 300,572</u>	<u>\$ 304,805</u>	
Revenue reported by LDFA			605,377
Excess captured taxes refunded by the LDFA			<u>(275,620)</u>
Net taxes captured			<u>\$ 329,757</u>

NOTE E - ECONOMIC DEPENDENCE:

All of the tax increment revenues of the LDFA are paid by one taxpayer - Michigan Automotive Compressor, Inc. (MACI). This company is a joint venture between two Japanese manufacturers. The company has always paid its taxes on or before the due date.

NOTE F - COMMITMENTS AND CONTINGENCIES:

1. TAX INCREMENT REVENUE AGREEMENT PAYABLE:

In October 2002, Jackson County sold \$1,800,000 of bonds to finance improvements to the municipal water supply system and fire protection system within the LDFA boundaries. The Village of Parma has entered into a lease agreement with the County, with payments due in amount equal to the debt service requirements of these County bonds. The Village in turn entered into contractual agreements with the LDFA. The terms of the contracts require the LDFA to defray the Village's obligation with tax increment revenues derived from the capture of Village, Township, County, District Library, and Community College taxes levied within the LDFA district.

**LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

NOTES TO FINANCIAL STATEMENTS

NOTE F - COMMITMENTS AND CONTINGENCIES: (Continued)

1. TAX INCREMENT REVENUE AGREEMENT PAYABLE: (Continued)

The terms of the bonds, and in turn the tax increment revenue agreement payable, call for annual principal payments ranging from \$25,000 to \$150,000, at interest rates ranging from 2.75% to 5.50%. A summary of activity on this agreement is as follows:

	Principal Balance 2/28/06	Additions	Retirements	Principal Balance 2/28/07
Tax Increment Revenue Agreement payable	\$ 1,700,000	\$ -	\$ (50,000)	\$ 1,650,000

Amortization of the tax increment revenue agreement payable is as follows:

Fiscal Year	Principal Due	Interest Due	Total Due
2008	\$ 50,000	\$ 62,325	\$ 112,325
2009	75,000	60,544	135,544
2010	75,000	58,387	133,387
2011	75,000	56,063	131,063
2012	100,000	53,213	153,213
2013-17	575,000	208,806	783,806
2018-2022	700,000	80,037	780,037
	<u>\$ 1,650,000</u>	<u>\$ 579,375</u>	<u>\$ 2,229,375</u>

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
THE YEAR ENDED FEBRUARY 28, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
FUND BALANCE, FEBRUARY 28, 2006	\$ 665,703	\$ 665,703	\$ 602,814	\$ (62,889)
RESOURCES (Inflows):				
Property taxes	619,921	619,921	605,377	(14,544)
Less - Return of excess capture	(391,195)	(391,195)	(275,620)	115,575
Net taxes captured	228,726	228,726	329,757	101,031
Interest income	-	-	22,634	22,634
Intergovernmental - Federal grant	-	-	124,345	124,345
Proceeds from sale of assets	-	-	70,000	70,000
Other revenue	-	-	8,476	8,476
Total resources (inflows)	228,726	228,726	555,212	326,486
Amount available for appropriation	894,429	894,429	1,158,026	263,597
CHARGES TO APPROPRIATIONS:				
Economic Development:				
Administration:				
Marketing	5,000	5,000	-	5,000
Management services	27,500	27,500	27,500	-
Audit services	2,500	2,500	2,250	250
Legal services	8,000	8,000	3,087	4,913
Treasurer's fee	1,000	1,000	742	258
Village support - Bookkeeping fee	2,000	2,000	1,800	200
Bank fees	-	-	70	(70)
Total administration	46,000	46,000	35,449	10,551
Maintenance:				
Wetlands mitigation	-	-	-	-
Roadway/utilities extension	475,000	475,000	576,316	(101,316)
Total maintenance	475,000	475,000	576,316	(101,316)
Total economic development	521,000	521,000	611,765	(90,765)
Other:				
Sale expenses	-	-	2,792	(2,792)
Contract payments (See Note F1)	115,825	115,825	114,700	1,125
Total other	115,825	115,825	117,492	(1,667)
Capital outlay	-	-	-	-
Total charges to appropriations	636,825	636,825	729,257	(92,432)
BUDGETARY FUND BALANCE - February 28, 2007	\$ 257,604	\$ 257,604	\$ 428,769	\$ 171,165

The notes to the financial statements are an integral part of this statement.

ADDITIONAL SUPPLEMENTAL INFORMATION

RECAP OF 2006 TAX LEVY BY TAXING ENTITY

\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
RECAP OF 2006 TAX LEVY BY TAXING ENTITY

UNIT	Millage Rate (Tax per \$1,000 of Taxable Value)	Ad Valorem- Real/Personal Property	Industrial Facilities Tax (Post-1993)	Total	Paid to Entity (Original and Debt)
Taxable value		<u>\$ 23,738,563</u>	<u>\$ 47,851,737</u>	<u>\$ 71,590,300</u>	
Jackson Community College	1.14643	\$ 27,215	\$ 27,423	\$ 54,638	\$ (163)
Intermediate School (Education)	8.11110	192,546	194,063	386,609	(386,609)
Western Schools (Education)	18.00000	427,294	430,666	857,960	(857,960)
Western Schools (Debt)	7.00000	166,170	167,481	333,651	(333,651)
State Education Tax (Education) *	6.00000	142,431	225,307	367,738	(367,738)
Village of Parma **	4.41800	104,877	105,752	210,629	(628)
Village of Parma Hydrant (Debt)	0.38000	9,021	9,091	18,112	(18,112)
Jackson County	5.12590	121,682	122,639	244,321	(730)
Medical Care Facility	0.14000	3,323	3,349	6,673	(20)
Jackson District Library	0.86060	20,429	20,591	41,020	(122)
Senior Services	0.24770	5,880	5,924	11,804	(35)
Jackson County Jail (Debt)	0.48580	11,532	11,623	23,155	(23,155)
Parma-Sandstone Fire ***	1.21410	28,821	29,048	57,867	(57,867)
Sandstone Township **	0.79940	18,977	19,125	38,103	(113)
Total current	<u>53.92903</u>				
Total levy		1,280,198	1,372,082	2,652,280	<u>\$ (2,046,903)</u>
Paid to Taxing Entity:					
Debt retirement levies (Excl. tax on initial value)		(185,605)	(188,195)	(373,800)	
Education tax levies (Excl. tax on initial value)		(757,705)	(850,036)	(1,607,741)	
Parma-Sandstone Fire levy (Excl. tax on initial value)		(28,648)	(29,047)	(57,695)	
\$142,165 Initial value (All levies)		(7,667)	-	(7,667)	
Gross captured by LDFA		<u>\$ 300,573</u>	<u>\$ 304,804</u>	<u>\$ 605,377</u>	

* Two IFT certificates for properties with a taxable value of \$2,963,361 levy only 50% of the 6 mill State Education Tax; another certificate for property with a taxable value of \$10,321,147 levies no State Education Tax.

** Under a separate revenue sharing agreement, the Village and Sandstone Township do not share in the tax revenue proportionally.

*** The LDFA elected not to capture the Parma-Sandstone Fire voter approved special millage.

<u>Tax Captured</u>	<u>Excess Captured Returned by LDFA</u>	<u>Net Taxes Captured</u>
\$ 54,475	\$ (21,804)	\$ 32,671
-	-	-
-	-	-
-	-	-
-	-	-
210,001	(49,848)	160,153 **
-	-	-
243,591	(130,272)	113,319
6,653	(2,676)	3,977
40,898	(16,440)	24,458
11,769	(4,732)	7,037
-	-	-
<u>37,990</u>	<u>(49,848)</u>	<u>(11,858) **</u>
 <u><u>\$ 605,377</u></u>	 <u><u>\$ (275,620)</u></u>	 <u><u>\$ 329,757</u></u>

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA

\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR TOTAL	ANNUAL INTEREST
		PRINCIPAL	INTEREST	TOTAL		
03/01/03			\$ 35,662.50	\$ 35,662.50		
09/01/03	5.50%	\$ 25,000.00	35,662.50	60,662.50	\$ 96,325.00	\$ 1,375.00
03/01/04			34,975.00	34,975.00	95,637.50	
09/01/04	5.50%	25,000.00	34,975.00	59,975.00		1,375.00
03/01/05			34,287.50	34,287.50	94,262.50	
09/01/05	5.50%	50,000.00	34,287.50	84,287.50		2,750.00
03/01/06			32,912.50	32,912.50	117,200.00	
09/01/06	5.50%	50,000.00	32,912.50	82,912.50		2,750.00
03/01/07			31,537.50	31,537.50	114,450.00	
09/01/07	3.00%	50,000.00	31,537.50	81,537.50		1,500.00
03/01/08			30,787.50	30,787.50	112,325.00	
09/01/08	2.75%	75,000.00	30,787.50	105,787.50		2,062.50
03/01/09			29,756.25	29,756.25	135,543.75	
09/01/09	3.00%	75,000.00	29,756.25	104,756.25		2,250.00
03/01/10			28,631.25	28,631.25	133,387.50	
09/01/10	3.20%	75,000.00	28,631.25	103,631.25		2,400.00
03/01/11			27,431.25	27,431.25	131,062.50	
09/01/11	3.30%	100,000.00	27,431.25	127,431.25		3,300.00
03/01/12			25,781.25	25,781.25	153,212.50	
09/01/12	3.40%	100,000.00	25,781.25	125,781.25		3,400.00
03/01/13			24,081.25	24,081.25	149,862.50	
09/01/13	3.55%	100,000.00	24,081.25	124,081.25		3,550.00
03/01/14			22,306.25	22,306.25	146,387.50	
09/01/14	3.70%	125,000.00	22,306.25	147,306.25		4,625.00
03/01/15			19,993.75	19,993.75	167,300.00	
09/01/15	3.85%	125,000.00	19,993.75	144,993.75		4,812.50
03/01/16			17,587.50	17,587.50	162,581.25	
09/01/16	4.00%	125,000.00	17,587.50	142,587.50		5,000.00
03/01/17			15,087.50	15,087.50	157,675.00	
09/01/17	4.10%	125,000.00	15,087.50	140,087.50		5,125.00
03/01/18			12,525.00	12,525.00	152,612.50	
09/01/18	4.20%	125,000.00	12,525.00	137,525.00		5,250.00
03/01/19			9,900.00	9,900.00	147,425.00	
09/01/19	4.30%	150,000.00	9,900.00	159,900.00		6,450.00
03/01/20			6,675.00	6,675.00	166,575.00	
09/01/20	4.40%	150,000.00	6,675.00	156,675.00		6,600.00
03/01/21			3,375.00	3,375.00	160,050.00	
09/01/21	4.50%	150,000.00	3,375.00	153,375.00	153,375.00	6,750.00
Total:		<u>\$ 1,800,000.00</u>	<u>\$ 886,587.50</u>	<u>\$ 2,686,587.50</u>	<u>\$2,747,250.00</u>	<u>\$ 71,325.00</u>
Outstanding at 2/28/07:		\$ 1,650,000.00	\$ 579,375.00	\$ 2,229,375.00		

Note: An annual paying agent fee of \$250.00 is charged for processing the contract payments. This is expensed to Contract Payments in the accompanying financial statements.

MARKOWSKI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203
PHONE (517) 782-9351
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.
RANDALL D. BIDDIX, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

Board of Directors
The Local Development Finance Authority of
The Village of Parma
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and major fund of the **Local Development Finance Authority of the Village of Parma, Inc** (the "LDFA") as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the LDFA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or a report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2007-01 - Reliance on External Auditors for Certain Control Functions:

New Statements on Auditing Standards (SAS) issued by the American Institute of Certified Public Accountants have clarified management's responsibilities for establishing a system of internal control. It is now considered a significant deficiency in internal control when a governmental entity relies upon its external auditors as part of its internal control system. In the LDFA's case, it relies on the external auditors to prepare year end financial statements required by the State of Michigan.

This is considered a significant deficiency because the LDFA does not have staff or an independent advisor qualified to ensure the external auditor's work complies with all required standards. To address this, the LDFA could either improve the clerk or treasurer's knowledge base through continuing education, or hire a CPA independent of its audit firm to review the annual report. The LDFA believes that from a cost-benefit basis, neither of these solutions makes sense. We concur with this decision.

2007 -02 - Segregation of Duties:

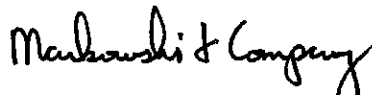
The LDFA relies on its Treasurer and Clerk for its accounting functions. Because of this limited staff size, there are instances in which conflicting duties are performed by one individual. The LDFA board needs to be aware of this situation, and maintain oversight of its financial records.

2007-03 - Adjustments Proposed by the Auditor:

During our audit, we proposed an adjustment to the accounting records. The LDFA reviewed this and posted the adjustment to its general ledger. Because this entry was material in amount, this is considered a significant deficiency in internal control. We would suggest the LDFA record the accrual entry (recognizing revenues and expenditures in the proper period) in the future to correct this situation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses: 2007-01 and 2007-03.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY CPAs
August 27, 2007